

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
BILATERAL AGREEMENT BETWEEN UNITED STATES POSTAL
SERVICE AND POSTEN NORGE AS (MC2010-34)
NEGOTIATED SERVICE AGREEMENT

Docket No.
CP2012-60

**NOTICE OF UNITED STATES POSTAL SERVICE OF FILING ADDITIONAL
FUNCTIONALLY EQUIVALENT AGREEMENT**
(September 13, 2012)

In accordance with 39 CFR § 3015.5 and Order No. 546,¹ the United States Postal Service ("Postal Service") hereby gives notice that it has entered into a modification of the bilateral agreement for inbound competitive services with Posten Norge AS ("Norway Post"), which the Postal Regulatory Commission ("Commission") reviewed in Docket No. CP2011-69.² The modification extends the agreement filed in Docket No. CP2011-69 (the "Norway Post Agreement") for an additional eighteen months, from October 1, 2012 to March 31, 2014. Prices and classifications not of general applicability for such agreements were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (Governors' Decision No. 10-3).³ In Order No. 840, the Commission

¹ PRC Order No. 546, Order Adding Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 to the Competitive Product List and Approving Included Agreement, Docket Nos. MC2010-34 and CP2010-95, September 29, 2010.

² PRC Order No. 840, Order Concerning an Additional Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2011-69, September 7, 2011.

³ An unredacted copy of this decision and a record of the Governors' proceedings was filed under seal with the Request of United States Postal Service to Add Inbound Competitive Multi-Service Agreements with Foreign Postal Operators to the Competitive Product List, and Notice of Filing (Under Seal) of Enabling Governors' Decision and Negotiated Service Agreement, Docket Nos. MC2010-34 and CP2010-95, August 13, 2010. The notice of filing and a redacted copy of the decision are available at

determined that the Norway Post Agreement should be included in the Inbound Competitive Multi-Service Agreement with Foreign Postal Operators 1 product (MC2010-34) on the Competitive Products List.⁴ The Postal Service demonstrates below that the modification of the Norway Post Agreement (“Norway Post Agreement modification”) that is the subject of this docket is functionally equivalent to the agreement filed in Docket No. CP2010-95. Accordingly, this modification should be included within the same product.

A copy of the Norway Post Agreement and the supporting financial documentation establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed under seal with the Commission. The Postal Service’s application for non-public treatment of the applicable materials is included with this filing as Attachment 1. The redacted version of the Governors’ Decision that authorizes inbound competitive agreements with foreign postal operators is included as Attachment 2. Attachment 3A is a copy of the Norway Post Agreement modification, and Attachment 3B is a redacted copy of the Norway Post Agreement. Attachment 4 is the certification required by 39 C.F.R. § 3015.5(c)(2). A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

I. Identification of the Additional Agreement

The terms of the Norway Post Agreement modification fit within the Mail Classification Schedule (MCS) language included as Attachment A to Governors’ Decision No. 10-3, because it offers one of the combination of inbound competitive

http://prc.gov/Docs/69/69690/MC2010-34_CP2010-95%20Request_Notice.pdf. A redacted copy is attached to this Notice for reference, as described below.

⁴ Order No. 840, at 6.

services described therein. The modification extends the Norway Post Agreement for an additional eighteen months, from October 1, 2012 to March 31, 2014.

II. Functional Equivalency

The Norway Post Agreement modification is functionally equivalent to the agreement filed in Docket No. CP2010-95 because it demonstrates similar cost and market characteristics. The postal service offered through the Norway Post Agreement modification, inbound air parcel post, fits within the proposed MCS language for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1. Therefore, the Norway Post Agreement modification and the agreement filed in Docket No. CP2010-95 conform to a common description. The agreements share a common market: foreign postal operators.

The postal services offered under the Norway Post Agreement modification share cost characteristics with those offered in the baseline agreement filed in Docket No. CP2010-95 ("baseline agreement"), as well. In both cases, the general terms and conditions of exchange, which are the drivers of the costs, are spelled out through the E-Parcels Group agreement and its sub-agreements. With a few minor adjustments that do not affect the cost characteristics, the financial models used to generate the rates offered for inbound air parcels in the two agreements are the same. The adjustments, such as the expression of the costs in different currencies, are inconsequential to the Commission's analysis of functional equivalence. Therefore, it can be said that the Norway Post Agreement modification has not only similar, but the same cost characteristics as the baseline agreement.

Although it is generated from a different template, the Postal Service submits that the Norway Post Agreement modification is functionally equivalent to the baseline agreement and should be added to the competitive product list within the same product listing. There are, however, differences between the Norway Post Agreement modification and the baseline agreement worth noting. They include the following:

- The term of the Norway Post Agreement modification is eighteen months, while the baseline agreement in Docket No. CP2010-95 is effective for two years and subject to automatic renewal unless terminated or modified.
- The Norway Post Agreement modification concerns only inbound Air Parcel items. The agreement in Docket No. CP2010-95 includes prices for inbound surface parcels and Express Mail Service (EMS) in addition to inbound air parcels.
- The Norway Post Agreement modification remains subject to the choice of law and dispute resolution method under the EPG agreements (German law and arbitration). The agreement in Docket No. CP2010-95 is governed by U.S. federal law, and disputes arising under it are to be resolved informally, through mediation, or before the U.S. District Court for the District of Columbia.

These differences do not affect either the cost or market characteristics of the postal services being offered or the fundamental nature of the agreements. Nothing detracts from the conclusion that the Norway Post Agreement modification is functionally equivalent to the baseline agreement.

III. Conclusion

For the reasons discussed above, and on the basis of the financial data filed under seal, the Postal Service has established that the Norway Post Agreement modification is in compliance with the requirements of 39 U.S.C. § 3633 and is functionally equivalent to other inbound competitive agreements with foreign postal operators. Accordingly, the Postal Service requests that the Norway Post Agreement modification be added to the existing Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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September 13, 2012

ATTACHMENT 1

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The Bilateral Agreement between United States Postal Service and Norway Post (hereinafter “the Agreement”), enabling Governors’ Decision, and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed under seal with the Commission. Redacted copies of the Governors’ Decision and the Agreement are filed with the Request as Attachments 2 and 3B, respectively. In addition, a redacted version of the supporting financial documentation is included with this public filing as a separate Excel file.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature that would not be publicly disclosed under good business practice. In the Postal Service’s view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).¹ Because the portions of the

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that “likely commercial injury” should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

materials that the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

In the case of the instant Agreement, the Postal Service believes that the only third party with a proprietary interest in the materials is Norway Post. Through text in the Agreement, the Postal Service has already informed Norway Post, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and Norway Post's ability to address its confidentiality concerns directly with the Commission. Ms. Haley Eubanks is the contact person to provide additional notices to Norway Post: Ms. Haley Eubanks, Pricing Analyst, International Strategy & Business Development Support, Global Business; (202) 268-4315; haley.n.eubanks@usps.gov.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its Request filed in this proceeding, the Postal Service included an Agreement, the enabling Governors' Decision, and financial work papers. These materials were filed under seal, with redacted copies filed publicly, after notice to the affected foreign postal operator. The Postal Service maintains that the redacted portions of the Agreement, Governors' Decision, and related financial information should remain confidential.

The redactions to the Governors' Decision cover pricing formulas and management analysis about pricing factors. With regard to the Agreement filed in this docket, the redactions withhold the actual prices being offered between the parties under the Agreement, as well as certain negotiated terms related to the pricing. The redactions applied to the financial work papers protect commercially sensitive information such as underlying costs and assumptions, negotiated pricing, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the work papers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b).

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the portions of the Agreement that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about negotiated pricing is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to assess the offers made by the Postal Service to foreign postal operators for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, other foreign postal operators could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial work papers include specific information such as costs, assumptions used in pricing decisions, the negotiated prices themselves, projections of variables, and contingency rates included to account for market fluctuations and exchange risks. The redactions to the Governors' Decision cover pricing formulas and management's pricing analysis. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing. Unlike its competitors, the Postal Service is required to demonstrate that each negotiated agreement covers its attributable costs. Furthermore, the Postal Service's Governors have required that the Agreement be submitted to the Commission with a notice that complies with 39 U.S.C. § 3632(b)(3).² Thus, competitors would be able to take advantage of the information to offer lower pricing to postal customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services markets. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the rates provided in the Agreement or from the information in the work papers and Governors' Decision whether additional margin for net profit exists between the Agreement being filed and the contribution that the Agreement must make. Moreover, charges between the Postal Service and the foreign postal operator constitute costs underlying the postal services offered to each postal operator's customers, and disclosure of this cost basis would upset the balance

² Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (Governors' Decision No. 10-3), August 6, 2010, at 2.

of Postal Service negotiations with contract customers by allowing them to negotiate, rightly or wrongly, on the basis of the Postal Service's perceived supplier costs. From this information, each foreign postal operator or customer could attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even the foreign postal operator involved in this Agreement could use the information in the work papers in an attempt to renegotiate its own rates.

Price information in the Agreement and financial spreadsheets also consists of sensitive commercial information of a foreign postal operator. Disclosure of such information could be used by competitors of the postal operator to assess the operators' underlying costs, and thereby develop a benchmark for the development of a competitive alternative. The foreign postal operator would also be exposed to the same risks as the Postal Service in customer negotiations based on the revelation of its supplier costs.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Harm: Public disclosure of the prices in the Agreement, as well as any negotiated terms, would provide foreign postal operators or other potential customers extraordinary negotiating power to extract lower rates from the Postal Service.

Hypothetical: The foreign postal operator's negotiated prices are disclosed publicly on the Postal Regulatory Commission's website. Another postal operator sees the price and determines that there may be some additional profit margin between the rates provided to the foreign postal operator and the statutory cost coverage that the Postal Service must produce in order for the agreement to be added to the competitive products list. The other postal operator, which was offered rates identical to those

published in the Agreement, then uses the publicly available rate information to insist that it must receive lower rates than those the Postal Service has offered it, or it will not use the Postal Service for its inbound delivery needs.

Harm: Public disclosure of information in the financial work papers and pricing information in the Governors' Decision would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. It analyzes the work papers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its customers below that threshold and markets its purported ability to beat the Postal Service on price for international delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of one or more relevant international delivery markets. Even if the competing providers do not manage wholly to freeze out the Postal Service, they will significantly cut into the revenue streams upon which the Postal Service relies to finance provision of universal service.

Harm: Public disclosure of information in the financial work papers would be used by the foreign postal operator's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. The competitor analyzes the work papers to assess the foreign

postal operator's underlying costs for its corresponding products. The competitor uses that information as a baseline to negotiate with U.S. customs brokers and freight companies to develop lower-cost alternatives.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international expedited and parcels products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products (including other postal operators) should not be provided access to the non-public materials. This includes the counter-party of this Agreement with respect to all materials filed under seal except for the Agreement, to which that party already has access.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

None.

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE"

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE
ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR INBOUND COMPETITIVE
MULTI-SERVICE AGREEMENTS WITH FOREIGN POSTAL OPERATORS
(GOVERNORS' DECISION No. 10-3)**

August 6, 2010

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices. This decision establishes prices by setting price floor and price ceiling formulas for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators. The agreements to which these prices will apply are described in Attachment A.¹ The pricing formulas and management's analysis of the appropriateness of these formulas are specified in Attachment B. We have reviewed that analysis and have concluded that the prices and classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Agreements that fall within the terms specified in Attachment A, and whose prices fall within the price ranges established by the price floor and price ceiling formulas specified in Attachment B, are hereby authorized.

The PAEA provides that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. We are satisfied that the prices established according to the formulas listed in Attachment B will enhance the Postal Service's ability to meet the applicable statutory and regulatory requirements. We accept and rely upon the certification in Attachment C that the correct cost inputs for the formulas have been identified. In addition, the price floor formulas should produce prices that allow each product to cover attributable costs and

¹ Because the Postal Service is creating a new grouping for Inbound Competitive Multi-Service Agreements with Foreign Postal Administrations, entirely new Mail Classification Schedule language is proposed.

"RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE"

Governors' Decision No. 10-3

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provide a contribution toward the Postal Service's institutional costs. The prices should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment C, entry into agreements pursuant to this Decision should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

No agreement authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3).

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in black ink, appearing to read "Lou Giuliano", is written over a horizontal line.

Louis J. Giuliano
Chairman

Attachment A

Description of Applicable Inbound Competitive Multi-Service Agreements with Foreign Postal Operators

2614 Inbound Competitive Multi-Service Agreements with Foreign Postal Operators

2614.1 Description

- a. Inbound Competitive Multi-Service Agreements with Foreign Postal Operators provide prices for acceptance, transportation within the United States, and delivery of any combination of Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and/or Inbound International Expedited Services (Express Mail Service) tendered by foreign postal operators. These constituent services may include other services that the relevant foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in a similar manner within the United States Postal Service's network. Such agreements may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.
- b. Inbound Competitive Multi-Service Agreements with Foreign Postal Operators may set forth general operating terms and conditions, on-time delivery and scanning service performance targets and standards, specifications for mail product categories and formats, processes for indemnity, and shared transportation arrangements that modify the requirements generally applicable to the services covered by each agreement.
- c. Items tendered under Inbound Competitive Multi-Service Agreements with Foreign Postal Operators items are either sealed or not sealed against inspection, according to the general nature of each underlying service.

2614.2 Size and Weight Limitations

Size and weight requirements are the requirements for Inbound Air Parcel Post at UPU Rates, Inbound Surface Parcel Post (at UPU Rates), Inbound Direct Entry, and Inbound International Expedited Services (Express Mail Service), respectively, subject to any applicable country-specific modifications.

2614.3 Optional Features

The Postal Service may offer such optional features as may be mutually agreed with the relevant foreign postal operator.

2614.4

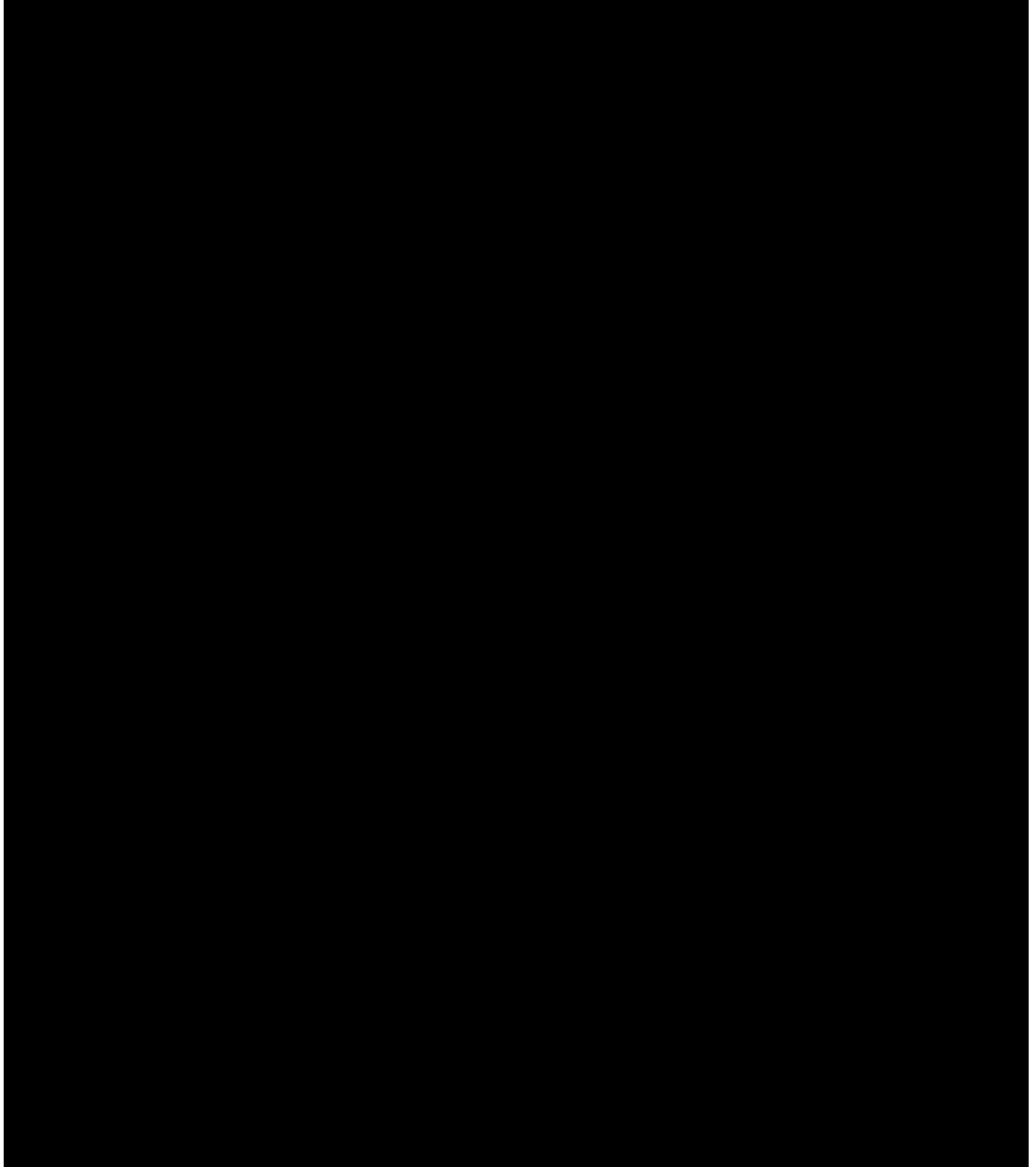
Products Included in Group (Agreements)

- Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-X, CP2010-X)

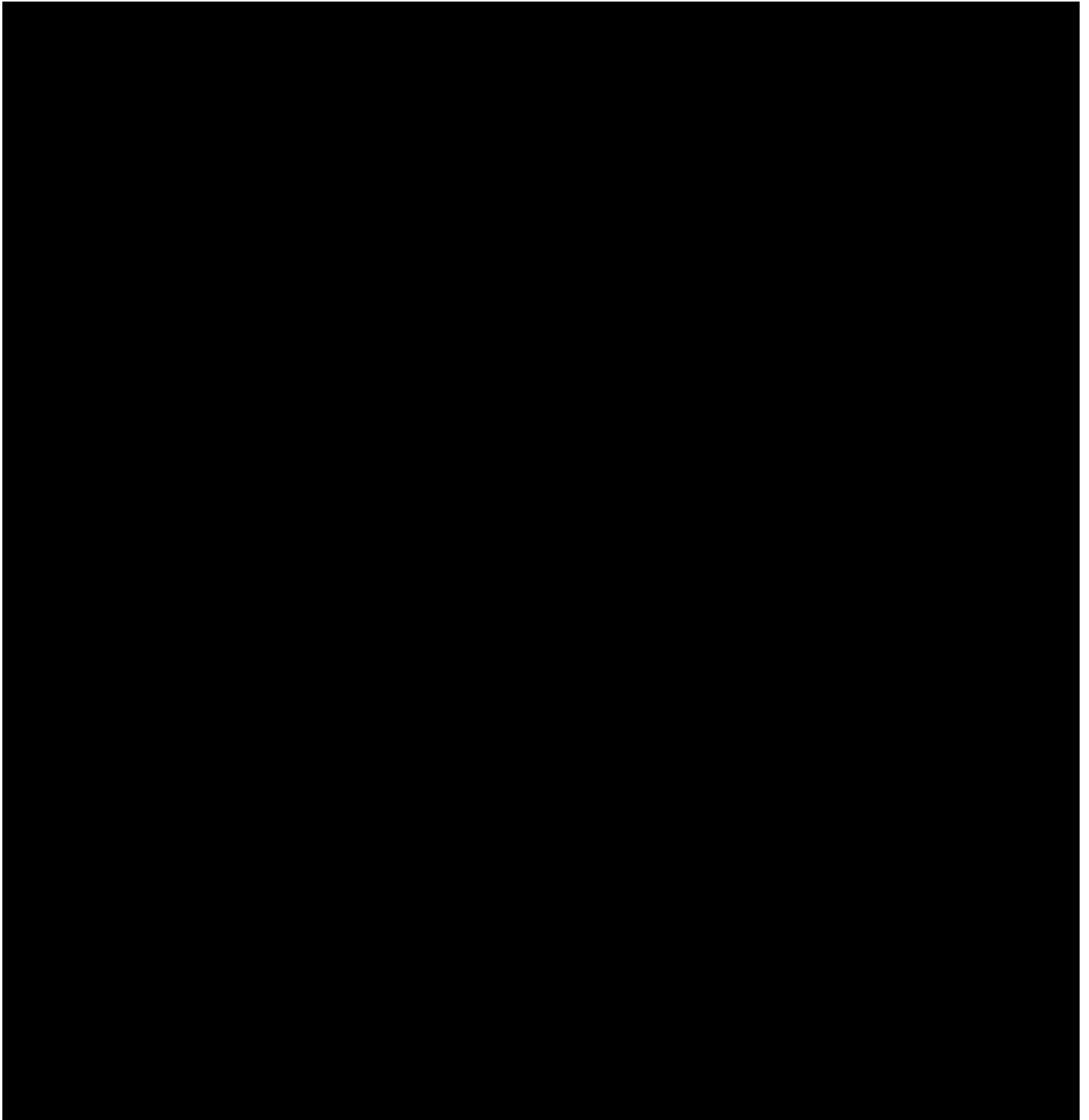
"Restricted and Sensitive Business Information - Do Not Disclose."

Attachment B

Formulas for Prices Under Applicable Inbound Competitive Multi-Service Agreements with Foreign Postal Operators



"Restricted and Sensitive Business Information - Do Not Disclose."



Attachment C

Certification of Prices for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators

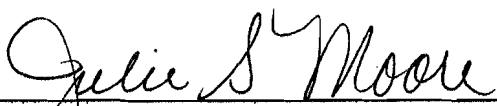
I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the price formulas for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, which are set forth in Attachment B. I hereby certify that these formulas adequately represent all necessary cost elements. If the Postal Service were to enter into agreements and offer services that set prices above the price floors, the Postal Service would be in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The price floor formulas are designed to ensure that each agreement and service should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2009, all international competitive mail accounted for a relatively small percentage of the total contribution by all competitive products. Contribution from Inbound Competitive Multi-Service Agreements with Foreign Postal Operators should be much smaller. Even if all such agreements are signed with prices at the price floor, they should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Joseph Moeller

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 10-3**

I hereby certify that the Governors voted on adopting Governors' Decision No. 10-3, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 8-9-2010

**MODIFICATION ONE TO THE
COMMERCIAL CONTRACTUAL AGREEMENT BETWEEN
THE UNITED STATES POSTAL SERVICE (USPS) AND
POSTEN NORGE AS (NORWAY POST)**

This Modification amends the Commercial Contractual Agreement ("Agreement") between Posten Norge AS ("Norway Post") and the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the United States Government, with offices at 475 L'Enfant Plaza SW, Washington, DC 20260, signed by Norway Post on August 15, 2011, and by the USPS on August 16, 2011. Norway Post and the USPS may be referred to individually as a "Party" and together as the "Parties."

The purpose of this Modification is to replace the sentence that reads "The Parties have the option of extending this contract for one additional year by mutual agreement in writing" with the following replacement text:

Norway Post and USPS agree to extend this Agreement for an additional eighteen months, from October 1, 2012 to March 31, 2014.

All other terms and conditions of the Agreement shall remain in force.

Norway Post acknowledges that United States law may require that this Modification and supporting documentation be filed with the Postal Regulatory Commission ("Commission") and the U.S. Department of State in a docketed proceeding. Norway Post authorizes the USPS to determine the scope of information that must be made publicly available in any Commission docketed proceeding in which information related to this Modification must be filed. Norway Post further understands that any unredacted portion of this Modification or supporting information may be posted on the Commission's public website, <http://www.prc.gov>. In addition, the USPS may be required to file information in connection with this instrument (including revenue, cost or volume data) in other Commission dockets, including Commission docket numbers ACR2013 and ACR2014. Norway Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22 found on the Commission's website, <http://www.prc.gov/Docs/63/63467/Order225.pdf>. At Norway Post's request, USPS will notify Norway Post of the docket number of the Commission proceeding, if any, used in connection with this Modification.

The Parties may execute this Modification in one or more counterparts (including by facsimile or by electronic means such as .pdf format). Not all Parties need be signatories to the same document. All counterpart signed documents shall be deemed an original and one instrument.

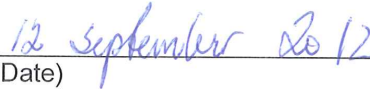
IN WITNESS WHEREOF, the Parties agree to be bound as of the latest date of signature to the terms and conditions of this Modification.

NORWAY POST



Signature

Nils Venberget
Manager International Relations



(Date)

UNITED STATES POSTAL SERVICE



Signature

Giselle Valera
Managing Director, Global Business and
Vice President



(Date)

Commercial Contractual Agreement

between

The United States Postal Service (USPS)

and

Posten Norge AS (Norway Post)

Pursuant to Annex B2 of Sub-Agreement B to the Agreement for the Delivery of Day-Certain Cross-Border Parcels ("Sub-Agreement B"), the USPS agrees to pay [REDACTED] United States Dollars for Air Parcel items sent from the USPS to Norway Post for delivery in Norway. Norway Post agrees to pay [REDACTED] United States Dollars for Air Parcel items sent from Norway Post to the USPS for delivery in the United States. All taxes and duties continue to be the sole responsibility of the party to which they are duly assessed and shall not be charged to the other party in any form, unless otherwise agreed in writing between the parties. [REDACTED]

The terms and pricing set forth under this Agreement require the approval from various entities that have oversight responsibilities for the USPS as set out in the following paragraph. Upon execution of this Agreement, the USPS shall seek such approval. This Agreement shall come into effect upon all such approvals having been obtained by USPS and, within 30 days, notification to Norway Post by USPS that all such approvals have been obtained, and the date of notification shall be "the Effective Date," unless an alternative date is proposed in the USPS's notification and agreed to by Norway Post in a return communication, in which case that alternative date shall be the Effective Date. The Agreement will remain in effect for one year from the Effective Date, unless amended or extended by mutual written agreement of both parties, subject to the right of either party to exercise its option to withdraw from the E Parcels Group ("EPG") Core Agreement or Sub-Agreement B. The Parties have the option of extending this contract for one additional year by mutual agreement in writing.

The parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection (collectively, "Conditions Precedent") by one or more internal and external bodies that have oversight responsibilities, including USPS management, the USPS executive committee, the Governors of the USPS, and the U.S. Postal Regulatory Commission. The USPS shall have no obligation to notify Norway Post of the status of the approval process or of potential fulfillment of the approval process. The parties acknowledge that the Agreement might not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to provide the services or pricing contemplated under

the Agreement, no obligation shall exist for the USPS or Norway Post and no benefit or rights granted through this Agreement shall inure to either party unless and until the Effective Date occurs and upon such occurrence the Conditions Precedent shall have been fulfilled.


In the event that any regulatory or statutory requirements do not permit the maintenance of pricing under this Agreement, the parties will negotiate in good faith to give effect to those requirements. Failing agreement on modifications to the pricing, the parties shall revert to Air Parcel rates established via Universal Postal Union processes and/or International Bureau circulars, excluding any penalties, bonuses, or incentives otherwise available to them as EPG members.

In the event that the Conditions Precedent are not fulfilled or that regulatory or statutory requirements do not permit the maintenance of pricing under this Agreement, the USPS and Norway Post shall have no liability, which shall include no obligation to pay costs associated with any action taken by Norway Post prior to the Effective Date of the Agreement. Further, in the event of termination of the Agreement, reversion of pricing, or the failure of any Condition Precedent, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, including but not limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

Norway Post acknowledges that United States law may require that this agreement be filed with the U.S. Postal Regulatory Commission (Commission) and the U.S. Department of State in a docketed proceeding, as well as part of regular reporting in Commission dockets ACR 2011, ACR 2012, ACR 2013, etc. Norway Post authorizes the USPS to determine the scope of information that must be made publicly available under the Commission's rules. Norway Post further understands that any unredacted portion of this document may be posted on the Commission's public website, www.prc.gov. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22, on the Commission's website: www.prc.gov/Docs/63/63467/Order225.pdf. Norway Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. At Norway Post's request, the U.S. Postal Service will notify Norway Post of the docket number of the Commission proceeding, if any, used in connection with this agreement.

This commercial contractual agreement does not bind the governments of the United States and Norway and is not an international law agreement. The agreement is made in duplicate and may be signed in counterparts.

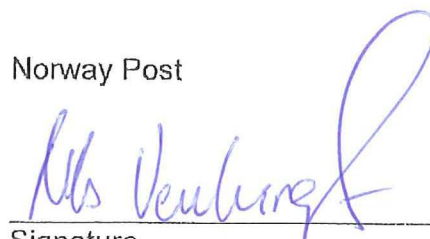
United States Postal Service


Signature

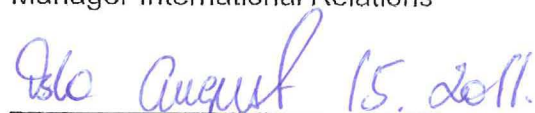
Giselle Valera
Managing Director, Global Business
and Vice President


Date

Norway Post


Signature

Nils Venberget
Manager International Relations


Date



**Certification of Prices for Modification One to the
Inbound Competitive Multi-Service Agreement with Posten Norge AS**

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for Modification One to the Inbound Competitive Multi-Service Agreement with Posten Norge AS (Norway Post). The prices contained in this agreement were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, issued August 6, 2010 (Governors' Decision No. 10-3).

I hereby certify that the cost coverage for the Modification One to the Inbound Competitive Multi-Service Agreement with Norway Post has been appropriately determined and represents the best available information. The prices are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from this agreement should be much smaller. Modification One to the Inbound Competitive Multi-Service Agreement with Norway Post should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


Joseph Moeller